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GREAT FALLS VOCATIONAL-TECHNICAL CENTER

Great Falls, Montana

Financial-Compliance Audit of
College Work Study Program

1816000120-A3

Fiscal Year Ending June 30, 1978

Reporting Date November 24, 1978

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SUMMARY OF RECOMMENDATIONS

As a separate section in the front of each audit report we include a listing of all recommendations together with a notation as to whether the agency concurs or does not concur with each recommendation. This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply thereto and also as a ready reference to the supporting comments. The full replies of the Great Falls Vocational-Technical Center and the Great Falls Public Schools Board of Trustees are included in the back of this report.

Page

Work with school district personnel to determine whether the center's accounting and reporting needs can be met by the school district. 5

Agency Reply: Concur. See page 16.

Prepare the self-evaluation forms prepared by the NASFAA at least on an annual basis. 6

Agency Reply: Concur. See page 16.

Designate all CWS payments directly on the check. 6

Agency Reply: Concur. See page 16.

INTRODUCTION

BACKGROUND

The Office of Education approved the Great Falls Vocational-Technical Center for participation in the College Work-Study Student Financial Aid Program in May, 1970. Our examination of the College Work Study Program (CWSP) for the fiscal year ending June 30, 1978 was performed utilizing the objectives set forth in the audit guide dated July, 1978 which was prepared by the Department of Health, Education and Welfare.

College Work-Study Program

On May 9, 1970, the center established the CWSP pursuant to Title IV, Part C, of the Higher Education Act of 1965, as amended. During the fiscal year ended June 30, 1978, 24 students participated in the program and expenditures for wages totaled \$11,874 from federal funds, \$2,383 from center funds, and \$2,707 from off-campus agencies for a total of \$16,964 in CWSP wages. The authorized award letter to the center for the fiscal year 1977-78 was in the amount of \$12,736.

The center officials responsible for overall administration of the CWS program are the Financial Aid Counselor and the assistant director in charge of financial aid.

The Financial Aid Office is responsible for application processing and CWS job approvals, as well as the center's compliance with the various U.S. Office of

Education regulations governing the school's participation in federal and state student financial aid programs.

The School District #1 Business Office is responsible for the CWS program financial management, general ledger accounting and payments. The center's financial aid office is responsible for collections and quarterly financial reports of the program funds.

During the audit period the center received other student financial aid funds from the state for the State Student Incentive Grant Program in the amount of \$2,000.

Scope of Audit

Our audit of the College Work-Study Program was performed in accordance with the financial and compliance elements of the "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" issued by the Comptroller General in June 1972 (1974 Reprint) and the audit guide prescribed by the Department of Health, Education, and Welfare dated July 1978. The purpose of the audit was to formulate an opinion on the basic financial statements taken as a whole and to determine if these programs were administered in accordance with applicable laws, regulations, terms of agreements, and OE directives which are set forth in the audit guide.

The audit included:

1. Expressing an opinion on the Balance Sheet and related Statement of Changes of Fund Balance.
2. Evaluation of the institution's policies, procedures, and practices used to administer the CWS program.
3. Determination of compliance with applicable sections of the acts, related Federal regulations, and Office of Education policies and procedures.
4. Evaluation of the institutions's system of internal control, accounting, reporting, and the controls maintained in the operation of and accounting for the funds provided for the CWS program.
5. Reconciliation of the information reported on the appropriate financial statements, with OE Form 1152-4 for the fiscal year 1977-78 audited.

As part of our audit we obtained confirmation from selected students participating in the CWS program during our audit period. We personally contacted two students who are still attending the center and contacted eight other students by telephone who were working in the state. This ten item sample represented 42 percent of the total number of students receiving financial assistance.

The audit covered the period of July 1, 1977 through June 30, 1978 and field work was performed during the period of October 31, 1978 through November 22, 1978 at the center's business and student financial aid offices.

Highlights of Audit Results

Our unqualified opinion on the basic financial statements appears on page 10 of this report. During our audit nothing came to our attention which caused us to believe that the Great Falls Vocational-Technical Center had not generally administered its College Work Study student aid program in accordance with the DHEW Federal regulations and directives cited in the HEW Audit Guide for CWS programs. However, certain areas of the center's management of the student aid program were in need of improvement, specifically:

- (1) The accounting systems used by the center are not consistent. This resulted in differences between amounts reported to the Federal DHEW and the state's executive officer of the Board of Public Education.
- (2) There are no reconciliations prepared between the School District Business Office's control accounts and the center's accounting records.
- (3) The center fails to prepare self-evaluation forms of its CWS program to determine if the program is effective, efficient and economical.
- (4) Student payroll checks are not designated specifically as College Work Study payments.

These matters are discussed more fully under the "Findings and Recommendations" section of this report on page 5. The center agreed to improve its accounting procedures and begin to prepare the self-evaluation forms for its CWS program.

Findings and Recommendations - Financial

Reporting

The center utilizes two accounting systems for reporting purposes which resulted in different amounts being reported to DHEW and the executive officer of the Board of Public Education. Center personnel maintain that they need their own hand-kept records because the School District does not provide monthly reports in time for their effective use. The center's records are used for federal reporting and the school district's records are used for state reporting. Because the two sets of records do not agree, the Fiscal Operations Report - Form 1152-4, and the quarterly report to the executive officer for the fiscal year ending June 30, 1978 differed in amount by \$88.

RECOMMENDATION

We recommend that the center work with school district personnel to determine whether the center's accounting and reporting needs can be met by the school district.

Self-evaluations

The center fails to prepare self-evaluation forms regarding its CWS program as required by federal regulations. These forms are prepared by the National Association of Student Financial Aid Administrators (NASFAA) to help institutions evaluate their financial

aid programs and gain insight on the operation of their programs. The NASFAA asks that these forms be completed at least annually. By not preparing self-evaluations, the center does not have a record showing areas of the program that may need improvement.

RECOMMENDATION

We recommend that the center prepare the self-evaluation forms prepared by the NASFAA at least on an annual basis.

Check Preparation

Federal regulations require that payments relating to the CWS program are to be designated as such directly on the payroll check. The center fails to identify CWS payments in this manner.

RECOMMENDATION

We recommend that the center designate all CWS payments directly on the check.

Internal Accounting and Administrative Controls and Compliance

We have examined the financial statements of the CWS program for the Great Falls Vocational-Technical Center for the fiscal year ended June 30, 1978. Our opinion on the statements is contained on page 10 of the report. As a part of our examination, we have

made a study of the center's system of internal accounting control to the extent we considered necessary to evaluate the system as required by "Standards for Audits of Governmental organizations, Programs, Activities and Functions" issued by the Comptroller General (GAO) in June, 1972 (1974 reprint). Under these standards the purpose of such evaluation is to establish a basis for reliance thereon in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements.

We have also made a study of those internal accounting control and administrative control procedures for the Great Falls Vocational-Technical Center that we considered relevant to the criteria established by the Department of Health, Education and Welfare as set forth in Section 3.2, 3.3 and 3.4 of its Audit Guide issued July, 1978. Our study included tests of compliance with such procedures during the period from July 1, 1977 through June 30, 1978.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. We understand that the object of those administrative control procedures comprehended in the Department of Health,

Education and Welfare criteria is to provide similar assurance as to compliance with its related requirements. The concept of reasonable assurance recognizes that the cost of a system of internal control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depend upon segregation of duties can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

We understand that procedures in conformity with the criteria referred to in the second paragraph of this section of this report are considered by the Department of Health, Education and Welfare to be

adequate for its purpose in accordance with the provisions of the Higher Education Act of 1965 and related regulations, and that procedures not in conformity therewith indicate some inadequacy for such purposes. Based on this understanding and on our study, we believe that the Great Falls Vocational-Technical Center's procedures were adequate for the Department's purposes.

Prior Audit Reports

The most recent prior audit report issued relating to the CWS Program for the center was issued for the fiscal year ending June 30, 1973. This report included an unqualified opinion and did not specify any audit recommendations. Our current audit resulted in an unqualified opinion and failed to result in any questioned costs to the Department of Health, Education, and Welfare.

FINANCIAL STATEMENTS

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59601
406/449-3122



MORRIS L. BRUSETT, C.P.A.
LEGISLATIVE AUDITOR

ELLEN FEAVER, C.P.A.
DEPUTY LEGISLATIVE AUDITOR
JOHN W. NORTHEY
STAFF LEGAL COUNSEL

Auditor's Report on Financial Statements

To the Legislative Audit Committee
of the Montana State Legislature:

We have examined the balance sheet of the College Work Study Program of the Great Falls Vocational-Technical Center as of June 30, 1978, and the related statement of changes in fund balance for the year then ended. Our examination was made in accordance with the financial and compliance elements of the Standards for Audits of Governmental Organizations, Programs, Activities and Functions, issued by the U.S. Comptroller General in 1972 (1974 reprint), and with the audit requirements set forth in the Guide for Audits of NDSL, CWS, and SEOG Programs, Department of Health, Education, and Welfare, dated July, 1978. Accordingly, we conducted such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the

CWS Program at the Great Falls Vocational-Technical Center at June 30, 1978, and the changes in its fund balance for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The accompanying supplemental Schedule 1 presented on page 14 is not necessary for a fair presentation of the financial statements, but is presented as supplemental information. This information has been subjected to the tests and other auditing procedures applied in the examination of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Morris L. Brusett", with a stylized flourish at the end.

Morris L. Brusett, C.P.A.
Legislative Auditor

December 1, 1978

Great Falls Vocational-Technical Center
School District #1
Cascade County
College Work Study Program
Statement of Changes in Fund Balance
For Fiscal Year Ended June 30, 1978

Additions:

Total Grant Authorized	\$12,736
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Deduct:

Amount of grant award not requested or deposited	<u>-0-</u>
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Balance - Federal Funds	12,736
- Institutions Funds	<u>4,906</u>

Total Funds Provided	<u>17,642</u>
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Deductions:

Wages:

On Campus:

Federal Share	5,559
Institution Share	2,383

Off Campus:

Federal Share	6,315
Institution Share	<u>2,707</u>

Total Reported Wages	16,964
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Administrative Expenses	<u>678</u>
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Total Deductions	<u>17,642</u>
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Net difference for year	<u>-0-</u>
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Fund Balance - Beginning of year	<u>-0-</u>
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Fund Balance - End of year	\$ -0- ²
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² See Note 2.

Great Falls Vocational-Technical Center
School District #1
Cascade County
College Work Study Program
Balance Sheet
Fiscal Year July 1, 1977 - June 30, 1978

Assets

Cash	\$576 ²
Total	<u>576</u>

Liabilities and Fund Balance

Accrued Wages Payable	393
Unexpended CWS Advance	<u>183</u>
Total	<u>\$576</u>

² See Note 2.

Great Falls Vocational-Technical Center
 Schedule of Administrative Cost Allowance
 For Year Ended June 30, 1978

Total Administrative Cost Allowance		\$678 ²
Deduct Expenditures Related to Student Consumer Information Service:		
Preparation of Information Dissemination Topics		<u>\$451</u>
Balance of Allowance		<u>227</u>
Deduct expenses related to Admin- istration of the College Work Study Program:		
Salaries	\$202	
Office Supplies	<u>25</u>	
Total Expenditures related to the College Work Study Program Admin- istration		<u>227</u>
Balance of Cost Allowance		<u><u>\$-0-</u></u>

² See Note 2.

Great Falls Vocational-Technical Center

Notes to College Work Study Program
Financial Statements
For Year Ended June 30, 1978

1. Basis of Accounting

The financial statements of the CWS program at the Great Falls Vocational-Technical Center have been prepared in accordance with generally accepted accounting principles and provide for use of the accrual basis of accounting.

2. Reporting

The amounts reported on the Statement of Changes in Fund Balance for the CWS program agree with the amounts reported on the OE Fiscal Operations Report, but the cash balance differs from the amounts shown on the center's accounting records. The cash balance in the Financial Aid account was \$6,741 at June 30, 1978. The center maintains this cash balance because its CWS program is small, and the allowable administrative expenses do not cover actual expenses. Because the institution's actual expenses are in excess of its 30 percent match of total authorized wages, the institution's financial records show \$209 more college work study expenditures than the amount claimed or reported in the financial statements.

3. Unexpended Balance

The unexpended CWS award at June 30, 1978 of \$183 will be carried over to fiscal year 1978-79 and treated as an advance on the year's authorized CWS award.

AGENCY REPLY



GREAT FALLS PUBLIC SCHOOLS

ADMINISTRATION

HAROLD WENAAS, ED. D., SUPERINTENDENT
JAMES D. BERGENE, ASST. SUPT. SECONDARY EDUC.
JACOB A. BLOCK, ASST. SUPT. CUPR. & SP. SERV.
JOHN U. KRANICK, ASST. SUPT. ELEMENTARY EDUC.
EARL B. LAMB, ASST. SUPT. BUSINESS
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WARREN C. WENZ

January 26, 1979

Mr. Morris L. Brusett
Legislative Auditor
Office of the Legislative Auditor
Room 135
State Capitol
Helena, Montana 59601

Dear Mr. Brusett:

Our responses to the College Work Study Audit are as follows:

Recommendation No. 1 - Reporting - Page 5

Concur with recommendation

Contemplated Action

The Center and the School District are presently working together to improve the accounting and reporting system

Recommendation No. 2 - Self Evaluation - Page 6

Concur with recommendation

Contemplated Action

The Center will conduct an annual self-evaluation using the N.A.S.F.A.A.

Recommendation No. 3 - Check Preparation - Page 6

Concur with recommendation

Contemplated Action

The Center is now identifying, on the check, all College Work Study checks as College Work Study money.

Sincerely,

Earl B. Lamb
Asst. Supt. for Business

EBL:rrl

